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FOR IMMEDIATE RELEASE

(Washington, DC) On Thursday, U.S. Representative Luis V. Gutierrez (D-IL), Chairman of the Subcommittee on Financial Institutions, will hold a hearing to discuss much-debated legislation that would restrict unscrupulous payday lending practices.

The Payday Loan Reform Act (H.R. 1214) outlines solid consumer protections for 23 states that have weak or even nonexistent consumer protections from abusive lenders. The bill focuses on the two major concerns with regard to payday loans: the fees charged and the "cycle of debt" that occurs when consumers are not able to immediately repay their loans.

WHO: Subcommittee on Financial Institutions and Consumer Credit

WHAT: Hearing on H.R. 1214, the Payday Loan Reform Act of 2009

WHEN: Thursday, April 2, 2009, 2:30 p.m.

WHERE: Rayburn House Office Building, Room 2128

"The status quo in the payday lending industry is unacceptable," said Rep. Gutierrez, "and I will fight to provide a federal safety net for the working poor who are suffering the most in this

economic downturn."

The terms of the bill, including strict on consumer protections, have been highly praised by such groups as the Teamsters, the League of United Latin American Citizens (LULAC), the National Hispanic Christian Leadership Conference and the National Association of Latino Elected and Appointed Officials (NALEO).

"We appreciate [this] proposal to put an end to the debt trap and to lower fees," said Artura Vargas, Executive director of NALEO. Vargas continued that the bill has "struck a good balance between strictly regulating the industry while, at the same time, leaving credit options open for the Latino community."

However, these protections have frustrated many in the payday lending industry, who will also voice their concerns Thursday.

"House Bill 1214, as proposed, goes too far, infringing upon consumer choice, limiting consumer access to arbitration, and preempting and interfering with the fee structures established by the representatives of the citizenry in 34 states," said Jeff Kursman, Check 'n Go Company Spokesman.

Contrary to some initial consumer concerns, HR 1214 does not rollback any existing or current consumer protections, but rather encourages states to continue to serve their traditional role as the primary protector of consumer rights. The Bill would create a federal floor on which additional state consumer protections can be added. Additionally, it would eliminate the cycle of debt by giving borrowers a three-month repayment plan with NO additional fees or interest charges.

Recently, some consumer groups have voiced concern that the Bill does not limit the amount of aggregate loans that a consumer can have pending at any given time, however such is not the case. The Payday Loan Reform Act would make it illegal for a lender to make more than one payday loan at a time to a consumer, or to accept a payment plan payment from another payday loan. Moreover, the proposed interest and fee cap would be an improvement over the current law in 23 states, despite bitter complaints from the payday industry that the proposed caps are too low.

"I fear that both extremes in this debate do prefer the status quo," said Gutierrez, "which means that some states would have adequate protections from payday lenders, and others would continue to be at the mercy of the most unscrupulous actors in the industry."

"I recognize and applaud the hard work of the consumer groups who are fighting to end abusive payday lending at the state level," continued Gutierrez. "But the fact remains that, despite their hard work, they have been overcome by high-paid lobbyists in too many states. H.R. 1214 would give these consumer advocates a boost and, in one fell swoop, improve the payday lending laws in 23 states and provide additional consumer protections for millions of hardworking Americans who do not have access to the mainstream financial system. H.R. 1214 says 'NO' to the status quo."

Concentrated in low-income and minority neighborhoods, payday lenders typically offer short-duration loans, waiving the credit history requirement imposed by traditional banks. Unfortunately, those who most need these loans are often the least able to repay them, and the consumer is subjected to interest rates ranging from 261 percent to 913 percent annually. The effects of these often unrestricted and poorly regulated loans are potentially crippling for the average consumer in a declining economy.

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